

Message Text

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ACTION NEA-12

INFO OCT-01 EA-11 IO-13 ADP-00 TRSE-00 IGA-02 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 AGR-20 RSR-01 EUR-25 SPM-01 HUD-02

DOT-00 HEW-08 /204 W

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R 101025Z JUL 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 0298

INFO USMISSION USUN NY

AMEMBASSY ISLAMABAD

/AMEMBASSY NEW DELHI 3250

AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: ECRP

SUBJECT: BDG ANNUAL PLAN FOR 1973-74

MANILA FOR USADB

REF: (A) DACCA 2810; (B) DACCA 1056; (C) DACCA 1084

SUMMARY AND INTRODUCTION: ADP RECENTLY RELEASED BY
PLANNING COMMISSION (PC) IS MARKED CONTRAST TO FY 74 ANNUAL
BUDGET ANNOUNCED BY FINANCE MINISTER WEEK BEFORE (SEE REF A).
UNLIKE ANNUAL BUDGET WHICH EMPHASIZES SOCIALISTIC TRANSFORMATION
AND SUPPLIES OF CONSUMER GOODS, ADP STRESSES PRODUCTION.
DETAILED REVIEW OF FY 73 SERVES TO EMPHASIZE POINT THAT FY 74
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BASICALLY DESIGNED TO RETURN ECONOMY TO PRE-INDEPENDENCE NORMS.

DOCUMENT IS VALUABLE FOR BOTH REVIEW OF FY 73 AND DETAILED
SECTOR DATA. COPY POUCHED BD DESK JUNE 28. END SUMMARY.

1. REVIEW OF ECONOMIC PICTURE SINCE INDEPENDENCE IS HARD
HITTING, AND ENUMERATION OF SHORTFALLS COVERS FY 74 ADP FOR
EACH OF 14 SECTOR CHAPTERS. LITANY OF FAMILIAR DIFFICULTIES NOW
ADDS LACK OF FOREIGN ASSISTANCE AND EMPHASIS ON WEAKNESS OF
ORGANIZATIONAL AND INSTITUTIONAL ARRANGEMENTS. FY 73 GDP
ESTIMATED TO BE 12-14 PERCENT BELOW FY 70. WITH POPULATION
INCREASE DURING THREE YEAR PERIOD OF 4 MILLION (SIC) REAL
PER CAPITA INCOME IS OFF ONE FIFTH. FIVE-YEAR PLAN OF TK 5,000
CRORE (\$7 BILLION; 1 CRORE EQUALS \$10 MILLION) IS DIVIDED
INTO
RURAL HOUSEHOLD INVESTMENTS OF TK 550 CRORE, PRIVATE INDUSTRIAL
INVESTMENTS OF TK 500 CRORE, AND PUBLIC INVESTMENTS OF TK 3,950
CRORE. TK 525 CRORE ADP FOR FY 74 IMPLIES ANNUAL GROWTH
RATE OF 20 PERCENT FOR FIVE YEAR PLAN. FY 74 ADP IS TO BE FINANCED
BY AID DISBURSEMENTS OF TK 352 CRORE, REVENUE SURPLUS OF TK
79 CRORE, NET CAPITAL RECEIPTS OF TK 22 CRORE, PUBLIC REVENUES OF
TK 54 CRORE AND DOMESTIC BORROWING TK 18 CRORE AS DETAILED
REF A.

2. FY 73 ECONOMY - EXPORTS ARE PROJECTED TO BE TK 300 CRORE,
ABOVE ORIGINAL TK 260 CRORE ESTIMATE, BUT BELOW TK 430 CRORE
LEVEL OF FY 70. IMPORTS PROJECTED TO BE TK 665-715 CRORE
(TK 265 CRORE FOOD, TK 400-450 CRORE NON-FOOD). TRADE DEFICIT
IS FINANCED BY TK 53 CRORE IMF DRAWING, TK 300-350 CRORE
AID DISBURSEMENTS AND USE OF RESERVES. DOMESTIC REVENUE
SHORTFALL EXPECTED TO BE TK 50 CRORE BELOW
C 292 CRORE TARGET.

MONEY SUPPLY SHOWS 83 PERCENT INCREASE (12/17/71 - 3/30/73) CAUSED
BY LARGE CREDITS TO NATIONALIZED SECTOR AND TO GOVERN-
MENT WHICH OUTWEIGH REDUCTION IN EXCHANGE RESERVES, PRIVATE
SECTOR CREDIT AND TIME DEPOSITS. ADP FIRST BDG DOCUMENT TO
DETAIL CAUSES OF INFLATION AND TO CRITICIZE POLICY OF MONETARY
EXPANSION WHEN SUPPLIES OF ALL GOODS ARE OFF. FYI. FOR LAST
FEW WEEKS MONEY SUPPLY HAS BEEN CURTAILED. END FYI.

3. ADP FOR FY 74 FOCUSES ON REVIVAL OF ECONOMY. WHILE ADP
SECTORAL ALLOCATIONS ARE SAME AS REPORTED REF A, ADP GOALS,
UNLIKE ANNUAL BUDGET (REF A) MAKE SCANT MENTION OF SOCIALISTIC
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TRANSFORMATION. RATHER EMPHASIS IS ON PRODUCTION OF BASIC GOODS,
EXPANSION OF EXPORTS, REDUCTION DEPENDENCE OF IMPORTS AND
INVESTMENT IN SECTORS AND PROGRAMS WHICH REQUIRE SMALL AMOUNTS
OF CAPITAL PER UNIT OF EMPLOYMENT AND OUTPUT. ADP TARGET IS
5.5 PERCENT GROWTH ON FY 70 BASE WHICH TO ACCOMPLISH WILL REQUIRE
A FY 74 GROWTH RATE OF 14-17 PERCENT ON FY 73 BASE.

4. ADP PROJECTS FY 74 BALANCE OF PAYMENTS DEFICIT OF TK 370

CRORE BEING MET BY AID DISBURSEMENTS OF SOME MAGNITUDE (\$518 MILLION).
PAYMENTS PROJECTION REMAINS ESSENTIALLY SAME
AS THAT PREPARED BY PC FOR INTERNATIONAL DEVELOPMENT MEETING (SEE REF B & C) ON MARCH ".
FY 74 ADP, LIKE FY 74 BUDGET
NOTABLE FOR LACK OF FOREIGN EXCHANGE BUDGET OR FOREIGN EXCHANGE COSTY OF SECTOR PROGRAMS. ARGUMENTS FOR DEVALUATION OF TAKA ARE PRESENTED IN CONTEXT OF JUTE EXPORT REVIVAL BUT WITHOUT EXPLICIT MENTION OF THE TERM DEVALTATION.

5. FY 74 PRIVATE SECTOR INVESTMENT OF TK 150 CRORE BRINGS TOTAL PLAN INVESTMENT TO TK 675 CRORE. TK 80 CRORE OF THIS TK 150 IS FOR MAINTENANCE AND EXPANSION OF PRIVATE RURAL ENTERPRISES

(FARMS) AND THE REMAINING TK 70 CRORE IS FOR PRIVATE INDUSTRIAL INVESTMENT. TK 30 CRORE OF THIS TK 70 WILL BE DIRECT INVESTMENTS LEAVING TK 40 CRORE TO BE BORROWED FROM DEVELOPMENT BANKS. IGNORING TK 80 CRORE "SUBSISTENCE" INVESTMENT BY FARMERS AND PRIVATE BORROWING RMGS PERCENT OF ALL ANNUAL INVESTMENT. TK 70 CRORE PRIVATE INVESTMENT ALLOCATED AS FOLLOWS: AGRICULTURE 4, INDUSTRY 20, HOUSING 20, TRANSPORTATION 15 AND TRADE AND SERVICES 11. PRIVATE SECTOR INVESTMENT SCHEDULES ARE BEING FORMULATED FOR RELEVANT SECTOR PROGRAMS.

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R 101025Z JUL 73

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6. AGRICULTURE AND RURAL INSTITUTIONS. ADP REVIEWS RECORD OF FY 73 PRODUCTION AND INPUTS PROGRAMS AND SETS PHYSICAL TARGETS FOR FY 74. FOODGRAIN GOAL IS 12.59 MMT. WHILE THESE PROGRAMS ARE NOT ANALYZED DIRECTLY FOR THEIR EMPLOYMENT IMPACT, UNEMPLOYMENT (37 PERCENT OF 19.8 MILLION AGRICULTURAL LABORERS) IS DISCUSSED IN DETAIL IN SEPARATE SECTION. USING "... GENERATION OF EMPLOYMENT DEPENDS VERY MUCH ON THE TECHNIQUE OF PRODUCTION," AS A GUIDE ADP STRESSES IMPACT OF HYV, RURAL WORKS AND OTHER INFRASTRUCTURE PROGRAMS TO LESSEN THIS PROBLEM. FY 73 WORKS PROGRAM SAID TO BE INEFFECTIVE FOR ABSENCE OF LOCAL GOVERNMENT INSTITUTIONS. FY 74 WORKS PROGRAM EMPHASIZES DRAINAGE AND IRRIGATION SCHEMES. WITHOUT MENTIONING REPAYMENT MECHANISM, 50 PERCENT OF WORKS ALLOCATIONS ARE TO BE IN FORM OF LOANS. INSTITUTIONAL CREDIT NEEDS OF TK 45.5 CRORE, MORE THAN DOUBLE PRESENT ACTUALS, ARE TO BE PROVIDED BY SAMABAYA AND TCCA COOPERATIVES AND COMMERCIAL BANKS. TRAINING SYLLABUS FOR RURAL OFFICERS AND LOCAL LEADERS TO STRESS SELF RELIANCE, MOBILIZATION OF UNDER-

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UTILIZED RESOURCES, AND INVESTMENT IN PRODUCTION RATHER THAN CONSUMPTION. USCOR HAS IMPRESSION AGRICULTURAL AND RURAL INSTITUTIONS STRATEGIES STILL BEING NEGOTIATED.

7. PAST LARGE EPWAPDA PROJECTS AND THEIR FOREIGN CONSULTANTS ARE HEAVILY CRITICIZED BY PC. EMPHASIS NOW ON SMALL SCALE SCHEMES. EDUCATION AND TRAINING PRIORITIES TO TAKE GREATER COGNIZANCE OF MEETING NATIONAL MANPOWER NEEDS. HEALTH PROGRAM TO PLACE MORE EMPHASIS ON PREVENTIVE RATHER THAN CURATIVE MEDICINE.

8. FAMILY PLANNING. THE MAJOR PROBLEM FACING BANGLADESH, THAT OF OVERPOPULATION, WILL RECEIVE TAKA 7 CRORE, OR 1.3 PERCENT OF THE ADP BUDGET. THIS OUTLAY, CONTRASTED WITH SOME TAKA 13 CRORES THAT HAVE BEEN BUDGETED FOR DEVELOPMENT OF THE RURAL HEALTH COMPLEX, CALLS INTO QUESTION THE SUPPOSED EMPHASIS ON PREVENTIVE RATHER THAN CURATIVE MEDICINE. THE ADP OBJECTIVE IS TO REDUCE THE RATE OF GROWTH OF POPULATION BY 0.04 PERCENT. FYI. NO MENTION IS MADE OF THE PRESENT GROWTH RATE, BUT THE PC IS PRESENTLY USING AN ANNUAL RATE OF 3.15 PERCENT. END FYI. THE STRATEGY TO ACHIEVE THIS OBJECTIVE CALLS FOR MAJOR EMPHASIS ON COUPLE REGISTRATION AND SUPPLY OF NON-CLINICAL CONTRACEPTIVES, WITH EQUAL EMPHASIS GIVEN TO CONDOMS AND ORALS. THE INTENSIVE COUPLE REGISTRATION APPROACH WILL

BE LIMITED TO APPROXIMATELY ONE-THIRD OF THE TARGET POPULATION
"DUE TO FINANCIAL AND MANPOWER CONSTRAINTS." RAISING LEGAL AGE
OF MARRIAGE AND LIBERALIZATION OF ABORTION "WILL ALSO
BE CONSIDERED." DEVELOPMENT OF A POPULATION STUDY CENTER WITHIN
THE BANGLADESH INSTITUTE OF DEVELOPMENT ECONOMICS WILL BE INITIATED
IN 73/74.

9. COMMENTS: BECAUSE A) SECTORAL STRATEGIES STILL UNDER
NEGOTIATION WITHIN BDG; B) ADP EMPHASIS IS ON RECOVERY OF
EXISTING PROGRAMS AND FACILITIES; AND C) CONSIDERABLE SECTORAL
DETAIL IN 158 PAGE PLAN, FEEL IS MORE USEFUL TO CONVEY
BACKGROUND IN WHICH PLAN CONTINUES TO BE NEGOTIATED THAN TO
DWELL ON SECTORAL DETAILS IN THIS CABLE.

IN ADP NO MENTION IS MADE OF POSSIBILITY SINGLE MOST
IMPORTANT PLAN SHORTCOMING: PC APPARENT UNWILLINGNESS
DURING FY 73 TO NEGOTIATE SECTOR STRATEGIES AND IMPLEMENTATION
PROCESSES WITH RELEVANT MINISTRIES. WHILE PC ELABORATION OF
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FY 73 AND BROAD FY 74 GOALS ARE SOLID, THERE REMAINS
IMPRESSION THAT SECTORAL CHAPTERS FOR FY 74 DO NOT REFLECT FULL
SUPPORT FOR OR IMPLEMENTATION OF THESE PC GOALS. FYI. DR.
KHANDKAR, SENIOR PC ECONOMIST, REMARKED THAT HE NO LONGER
RECOGNIZES PLAN HE HELPED TO DRAFT SINCE IT HAS BEEN REWRITTEN
SO OFTEN. Z

FYI. FACT THAT ADP IS A "BETTER" DOCUMENT THAN
ANNUAL BUDGET MAY INDICATE PC DESIRES RETURN TO PURELY PLANNING
FUNCTION AND THAT BUDGET WILL WASH WITH PARLIAMENT WHILE SPECIFIC
STRATEGIES OF ADP WILL UNDERGO FURTHER COMPROMISE.
DECONTROL 7/10/74.
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